WINGATE

Property Research Digest:
Edition 32

Domestic Economics

Official Cash Rate

The **Reserve Bank of Australia** has cut interest rates for the first time since November 2020. On 18 February, the Board decided to lower the cash rate target to 4.1% and the interest rate paid on exchange settlement balances to 4%.

Sustainably returning inflation to target within a reasonable time remains the Board's highest priority and the Board will continue to rely upon the data and the evolving assessment of risks to guide its decisions (Source: **Statement by the Reserve Bank Board: Monetary Policy Decision**).

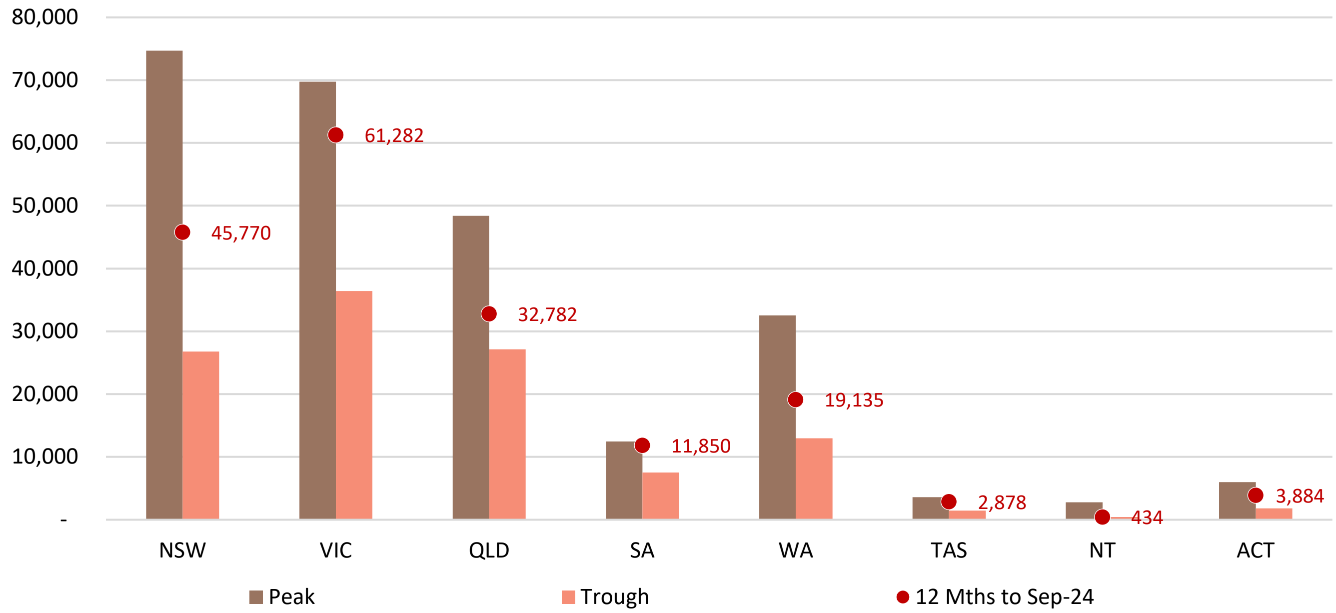
The impact is, as expected, larger for housing activity than for consumption, with an estimated 2% rise in borrowing capacity for every 25bps of cuts. **Read the release here or watch the press conference here.**

Dwelling Completions

Australian Bureau of Statistics (ABS) data shows that close to 80% of the 180,000 dwelling completions over the 12 months to September 2024 were in the east coast states. Victoria comprised around 34% of all completions or around 61,200 dwellings, followed by **New South Wales** (26%, ~45,800 dwellings) and **Queensland** (18%, ~48,400 dwellings).

Analysis from the **Property Council of Australia** shows that Australia is running about 25% below the housing supply required to achieve the Federal government's target of 1.2 million dwellings over 5 years.

Chart 1 - Dwelling Completions: 20-Year Peak and Trough and 12 Months to September 2024



Source: ABS, Wingate Research

Dwelling Finance

According to the ABS, the total value of dwelling finance approvals rose 1.4% during the December quarter. The gain in the value of new loans focused on a 4.2% increase in owner-occupier loans, led by a 5.4% lift in construction loans.

The value of investor loans declined for the first time in almost two years, slipping 2.9%. The fall was most pronounced for the lending of new dwelling purchases and in **Western Australia**. **Read the latest release here.**

Residential

Dwelling Prices

CoreLogic's latest Home Value Index confirms a softening, with values falling 0.1% in December, the first monthly decline in the national index in almost 2 years. The decline was enough to drag the quarterly change into negative territory, also down -0.1%, marking the end of what has been a strong and resilient period of growth between February 2023 and October 2024.

In annual terms, Australian home values were up 4.9% in 2024, adding approximately $38,000 to the median value of a home. Regional housing markets finished the year on a stronger note, with values up 6.0%.

Consensus Dwelling Price Forecasts

Australia's housing market has recently experienced a sharp boom-bust-recovery cycle. In 2021, dwelling prices surged by nearly 21% nationally, before falling by around 6.5% in 2022. Prices recovered by 9.4% and 5.2% in 2023 and 2024.

Dwelling prices are expected to experience moderate growth over the next 2 years. **Perth, Brisbane, and Adelaide** are leading in growth, while **Sydney and Melbourne** are more subdued.

Among major banks, **Commonwealth Bank of Australia (CBA)** and **National Australia Bank (NAB)** hold a more optimistic outlook for long-term growth, whereas **Westpac** and **ANZ** take a more conservative stance, particularly for 2025.

Table 1 - Consensus Dwelling Price Forecasts (%)

	Average (2021-24)	Average (2025-26)	2025	2026
Sydney	7.0	3.0	2.4	3.7
Melbourne	2.4	3.3	1.6	4.9
Brisbane	12.7	4.9	5.0	4.8
Perth	13.0	5.9	7.2	4.5
Adelaide	14.2	3.9	5.4	2.4
Hobart	5.0	n/a	1.3	1.8
Australia	7.3	3.8%	3.5	4.1%

Source: ANZ, CBA, NAB and Westpac, CoreLogic, Wingate Research

Modern Methods of Construction

The **CBA** recently announced it will become the first bank to join **prefabAUS**, the peak body for Australia's off-site construction industry, while also introducing policy changes to simplify the home-buying journey for prefabricated housing.

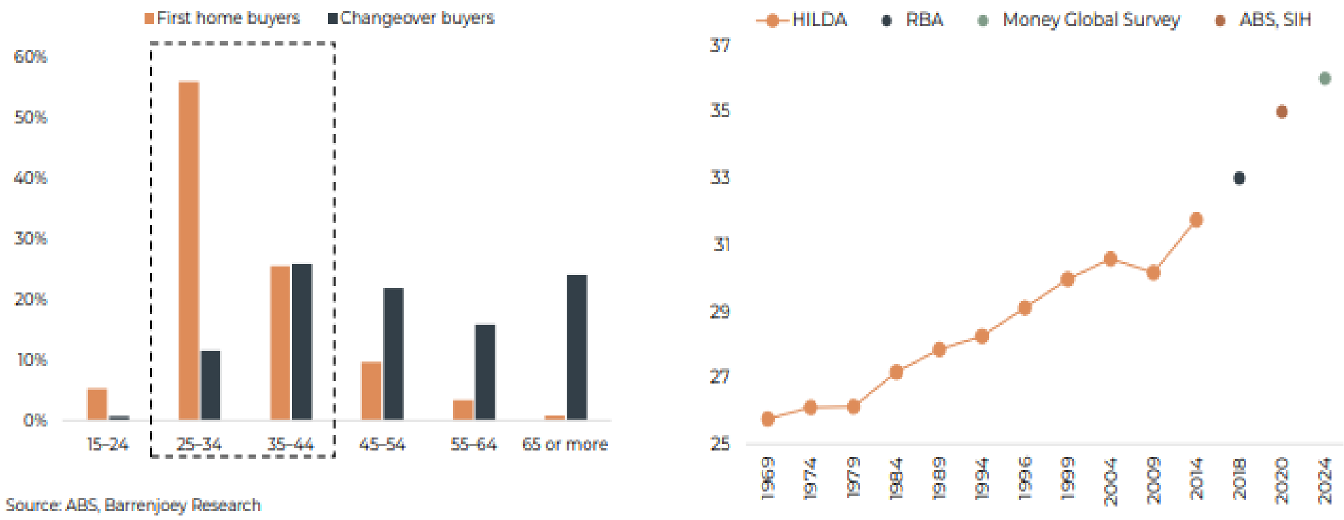
The bank will allow customers to access progress payments of up to 60% of the total contract price before the property is affixed to the land. This replaces the previous requirement for customers to fund up to 90% of the upfront costs. **Read more** here**.**

Buyer Profiles

According to **Barrenjoey's** research, the median first-homebuyer is getting older and earning a higher-income. The average first homebuyer is now in the mid-30s. In 2019/20, around 55% of first-home buyers were aged 25-34. Anecdotal and industry evidence suggests this has shifted upwards, with most now aged between 35-37.

Another interesting data point is that first homebuyers reside in the top third or fourth quintile for equivalised household income.

Chart 2 - First Home Buyer by Age Demographic and Age



Source: ABS, Barrenjoey Research

Source: ABS, HILDA, Money Global, RBA, Barrenjoey Research

Policy

The **Victorian Government** and **First Peoples' Assembly of Victoria** have opened negotiations for Australia's first Treaty. Key areas will include structural measures to support reconciliation, truth, education, and healing between Aboriginal and non-Aboriginal Victorians.

Most notably, the creation of an ongoing First Peoples' representative body, embracing its role in decision-making relating to Victorian Government programs and services for First Peoples.

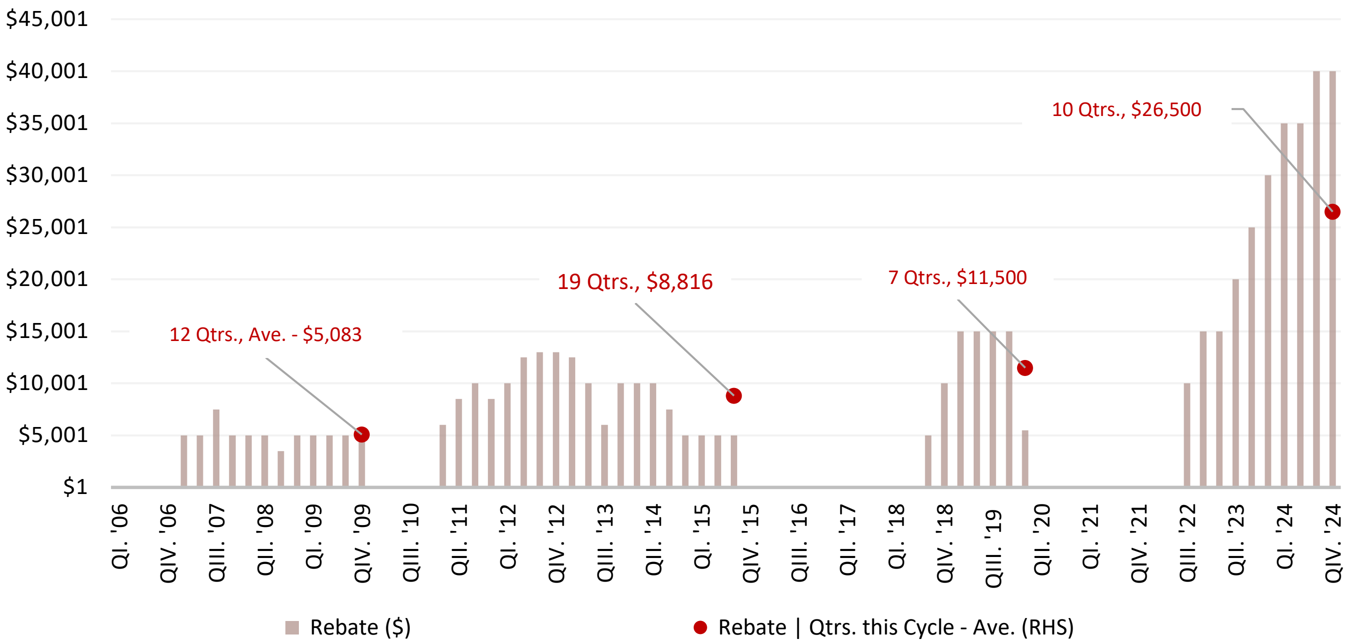
Uncertainty remains as to whether this will slow or accelerate the delivery of housing supply. **Read the release** here**.**

Greenfields

Rebating continues across **Melbourne's** greenfield municipalities, averaging over 10% of the list price. Since 2006, Greenfields have experienced four cycles, ranging from 7 to 19 quarters, with an average duration of 12 quarters.

The current cycle is the most aggressive, with an average rebate of $26,500 per lot over 10 quarters. If current trends persist, this rebating cycle is likely to continue beyond the previous peak of 19 quarters.

Chart 3 - Melbourne Greenfields, The Rebate Cycle (Moving Annual Average)



Source: Master Agents, Wingate Research

Oliver Hume data shows that the median residential land price in **Greater Adelaide** rose 8% to $295,000 in the December quarter of 2024. Most municipalities saw increasing land prices, with the strongest growth reported in Onkaparinga, Playford, the Adelaide Hills, and Alexandrina.

Sales volumes fell heavily in the quarter as stock sold out in key projects, and municipalities struggled to release new products due to challenges relating to engineering constraints in the south and water infrastructure limitations in the north.

South Australia's population has grown by 1.4% over the last 12 months, or 25,100 persons (in comparison, the five-year average is around 22,100).

Supply

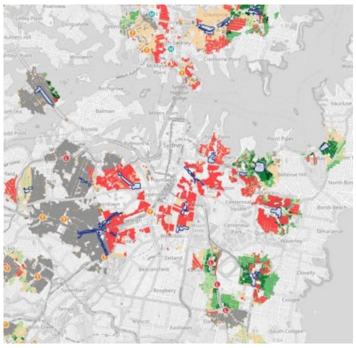
The 2025 **Western Australian** state election is scheduled to be held on 8 March 2025; a re-elected state government will:

- Inject $210 million into **Keystart**, supporting the delivery of around 1,000 new apartments and townhouses. Under the scheme, the Government will take out up to a 35% equity share (or $250,000) in the purchase of new apartments and townhouses (off-the-plan and under construction).
- Establish a $75 million **'Build to Rent Kickstart Fund'** to entice investors. The fund would provide low-cost finance of up to $250,000 per apartment for build-to-rent (BTR) projects, including no-interest loans during construction and low-interest loans once the development is up and running. Land tax concessions would also increase to 75%, with more than 40 dwellings starting in the next three years. **Read more** here.
- An extension and expansion of 'off-the-plan' stamp duty concessions by raising thresholds, making townhouse developments eligible for the concession, and extending the total concessions by an additional 12 months to 30 June 2026. The thresholds will be lifted by $100,000, meaning no stamp duty will be payable on dwellings up to $750,000.

More than 12,000 new homes across **South Australia** are closer to construction after the state government announced a new initiative for three major land release sites. The Infrastructure Schemes initiative from the **Housing Roadmap** will see greenfield development sites at Concordia, Sellicks Beach, and Murray Bridge delivered faster with the essential infrastructure to support new communities.

The latest **New South Wales Housing Delivery Authority's** first report has been released. It recommends that 12 projects be fast-tracked as State Significant Developments, unlocking 6,855 new homes. New South Wales needs around 380,000 homes by 2029. **Read more here.**

Transport-oriented development reforms continue with five new sites, including Belmore and Lakemba (City of Canterbury-Bankstown), Ashfield, Dulwich Hill, and Marrickville (Inner West). These areas are set to accommodate over 30,650 new homes, with planning controls for Belmore and Lakemba expected to be finalised in early 2025.



The **New South Wales Department of Planning, Housing and Infrastructure** has announced significant changes to over 220,000 properties across the state. The 'Low and Mid Rise' reforms, the most wide-ranging in decades, focus on higher-density development on residential land within a 10-minute walking catchment from rail stations and employment/services centres.

Over 130 stations and centres are affected in the Sydney metro, plus 25 stations and centres in Central Coast, Newcastle and 11 in Illawarra, Shoalhaven.

Visit **PropCode's** complimentary lookup tool, which instantly analyses the details of the reform.

Planning

The long-awaited **Plan for Victoria** is expected to be released this week (consultation on the Plan for Victoria opened in November 2023). Two additional precinct structure plans and several new pathways through the development facilitation program will also be part of the announcement.

The State Government has updated plans for the 10 Pilot Activity Centres following two rounds of extensive community consultation with residents, councils and other key groups. Under the revised plans, catchment areas will be split into two:

- Inner and outer. Inner catchments are closer to the core and will have the same four-storey limit or up to six storeys on larger blocks.
- Outer catchments are farther from the core and will have a new three-storey limit or up to four storeys on larger blocks.

See the maps here.

Industrial

In late January, the **New South Wales Government** unveiled its **Industrial Lands Action Plan**, aimed at securing and managing land supply across the state. Over the next 12-24 months, key initiatives include a new statewide categorisation policy for industrial land and a flexible planning policy amendment for industrial-zoned land.

The **Employment Land Development Program** will coordinate infrastructure investment for industrial land over the next two decades. The **UDIA Industrial and Employment Lands Committee** will play a pivotal role in providing feedback to the Government on the Action Plan's further development.

Cap Rates

Across all sectors, cap rates have shifted outward by an average of 30 basis points since mid-2024, bringing the sector-wide average to 5.9%. This marks a 120-basis-point increase since the peak in 2022. The shift in cap rates aligns with a circa 10% cumulative decline in book values.

Sector-Specific

- **Retail –** Regional malls and convenience retail have experienced slight cap rate movements, with regional malls increasing from 5.5% to 5.6% and convenience retail from 5.4% to 5.8%.
- **Office –** Prime Sydney CBD office cap rates are expected to decline from 6.6% in 2024, while metro office cap rates are set to rise sharply from 6.5% to 7.5%, leading to a 13.4% drop in book values.
- **Logistics –** Cap rates have risen from 5.4% to 5.8%, corresponding to an 8% projected decline in book values from 2022 to 2025.
- **Self-Storage and Childcare –** These sectors have shown stability, with no cap rate movements observed.

International Alternatives

The wellness economy has seen extraordinary growth as consumers increasingly take ownership of their health, expect enhanced services, and are more willing to invest in wellness. **Southeast Asia** has emerged as a premier hub for medical tourism, with **Thailand**, **Malaysia**, and **Singapore** at the forefront.

CapitaLand has launched its latest research paper, which documents opportunities in wellness real estate. The first wellness and healthcare fund, C-WELL, focuses on investments across the healthcare, medical, wellness, and preventive care spectrum. **Read more about the CapitaLand Wellness Fund here.**

International Residential

China

New home prices in November declined by 0.1% month-on-month after a 0.5% dip in October, the slowest pace since June 2023, based on data from the **National Bureau of Statistics**. In annual terms, new home prices fell 5.7% (after a 5.9% drop the previous month). In a recent survey of 70 cities, 17 cities experienced an increase in home prices month-on-month, reflecting a positive trend, with 10 more cities joining the rise compared to the previous month. **Read more here.**

New home prices stopped falling in December for the first time in 18 months. On an annual basis, new home prices fell 5.3% following a 5.7% drop in the preceding month. Of the 70 cities surveyed, 23 cities saw an increase in home prices, six more than the previous month. **Read more here.**

United Kingdom

According to **Rightmove**, the average asking price for a home in Britain has seen its largest new year surge since 2020, with a 1.7% or £5,992 increase in January.

This brings the average asking price to £366,189 (A$721,332), although it remains £8,942 below the record set in May 2024 due to ongoing affordability constraints. The number of new properties listed, buyer inquiries, and sales agreed are all higher than the same period last year. **Read more here.**

THE WINGATE WAY

Singapore

Sales of new private homes in Singapore rose more than three and a half times in January compared to the first month of last year, as buyers regained their hunger for housing thanks to lower interest rates and a salvo of new projects.

Developers sold around 1,100 new private homes last month, according to **figures released by Singapore's Urban Redevelopment Authority.** This is the best January in four years.

New Zealand

The **CoreLogic** Home Value Index shows property values across New Zealand edged down by another 0.2% in December. Over the three months to December, values nationally fell 0.3%, and over 2024 they dipped 3.9%, with the level now back down at a 17-month low. Gross rental yields now stand at 3.9%, which is the highest level since early 2016.

First home buyers remain a strong presence in the property market, although their share of purchases has dropped to around 26%.

At its meeting on 19 February, the **Reserve Bank of New Zealand** lowered the official cash rate by 50bps to 3.75%, due to 'significant spare capacity in the economy' and inflation being closer to the middle of the target band. Further cuts are expected.

About Wingate

Wingate is a leading alternative investment manager focused on property debt, mid-market corporate debt and direct property investment. Investment opportunities are driven by our specialist Property and Corporate Investments origination and credit teams.

In addition, we hold strategic investments in a select number of innovative, high growth financial services businesses where our experience and track record can add significant value for stakeholders.

Our platform comprises over 200 investment and fiduciary professionals dedicated to the Australian market. We are driven by long-term, trusted relationships and delivering sustainable growth through the economic cycle.

We feel a deep sense of personal and collective responsibility to our people, co-investors, shareholders and business partners and we take pride in the strong performance of our investments over more than two decades

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